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DE RUEHSN #1168 1641632
ZNR UUUAA ZZH
O 131632Z JUN 07
FM AMEMBASSY SAN SALVADOR
TO RUEHC/SECSTATE WASHDC IMMEDIATE 6669
INFO RUEHZA/WHA CENTRAL AMERICAN COLLECTIVE PRIORITY
RUEHBO/AMEMBASSY BOGOTA PRIORITY 2496
RUEHBR/AMEMBASSY BRASILIA PRIORITY 0138
RUEHWN/AMEMBASSY BRIDGETOWN PRIORITY 0535
RUEHPU/AMEMBASSY PORT AU PRINCE PRIORITY 0253
RUEHDG/AMEMBASSY SANTO DOMINGO PRIORITY 0724
RUEHRC/DEPT OF AGRICULTURE WASHDC PRIORITY
RUCPDO/DEPT OF COMMERCE WASHINGTON DC PRIORITY
RHEBAAA/DEPT OF ENERGY WASHINGTON DC PRIORITY

UNCLAS SAN SALVADOR 001168

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E.O. 12958: N/A
TAGS: [ECON](#) [ENRG](#) [SENV](#) [EAGR](#) [PREL](#) [EAID](#) [ES](#)
SUBJECT: EL SALVADOR AND U.S.- BRAZIL BIOFUELS INITIATIVE

REF: STATE 73635

11. (SBU) Summary. Economic Counselor and Brazilian Ambassador to El Salvador delivered June 1 the reftel talking points to Minister of Economy Yolanda de Gavidia. The GOES has formed a small committee on ethanol production and alternative fuels, composed of representatives from the Ministries of Economy, Agriculture and Environment and President Sacca's staff. The GOES is eager to participate in the initiative, but wants to be clear what is involved and does not want to have the issue politicized. Minister de Gavidia would like to meet with USG and Brazilian Government authorities as soon as possible to discuss El Salvador's participation in more detail. She also said that she would provide more information about El Salvador's activities, plans and concerns on the issue, but the person she said would be the point of contact quit the Ministry of Economy later that day. In his June 1 speech to the nation marking his third anniversary in office, President Sacca also said he would present a law to encourage investment in and development of renewable energy resources. End Summary.

12. (U) On June 1, Economic Counselor and Brazilian Ambassador to El Salvador Eduardo Prisco delivered the reftel talking points to Minister of Economy (MINEC) Yolanda de Gavidia and the person in charge of Hydrocarbon Affairs at MINEC Gina Navas de Hernandez. The Minister wanted to know more about the initiative, including whether it involved developing ethanol for export to the USA. The Brazilian Ambassador and Econ Counselor explained that the purpose of the initiative was to create alternative energy resources for domestic consumption, not export to the USA. De Gavidia said she was eager to sit down with the parties (USG, Brazil, and perhaps the IDB) as soon as possible to talk in more detail about next steps.

13. (SBU) De Gavidia said alternative energy production was a complex undertaking involving many issues, including, fuel and food prices, environment, agricultural and potentially political impacts. She did not want the issue to be politicized as a USA versus Venezuelan issue. She talked about a potential price stabilization fund and said Colombia had adopted one as part of its overall alternative energy strategy. De Gavidia said she would soon travel to Colombia to learn more about the Colombian's approach. The Brazilian Ambassador said Brazil had a price stabilization fund, but had discontinued it.

14. (U) The GOES has been working closely with the

InterAmerican Development Bank (IDB) and Navas said an IDB consultant would soon be coming to El Salvador to discuss possible financing options. De Gavidia also emphasized that whatever discussions that were held with sugar refineries about potential ethanol production should also include the sugar cane growers, who feel they have not been well enough informed on the initiative. She agreed to provide additional information regarding El Salvador's activities, plans and concerns regarding alternative fuel development. De Gavidia said that a small committee of representatives from the Ministries of Economy, Agriculture and Environment and from the Secretario Tecnico (President Sacca's staff) had been formed to coordinate the issue for the GOES. She added that Gina Navas de Hernandez would be the GOES point of contact. We learned on June 6 that Navas resigned her position at MINEC within the last few days. The Deputy to Navas, Francisco Cruz, is now in charge of hydrocarbon issues at the Ministry of Economy and will be the point of contact for the initiative. His email address is fcruz@minec.gob.sv. He can be reached by telephone at 503-2231-5875.

15. (U) President Sacca addressed the nation on June 1 marking his third anniversary in office. In that address, he said he would propose a law that would provide fiscal incentives for alternative energy development. Post will provide more information on that proposal as details become available.
Glazer